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The time period for reply, if any, is set in the attached communication.

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BEFORE THE BOARD OF PATENT APPEALS AND INTERFERENCES

Application Number: 10/828,497
Filing Date: April 21, 2004
Appellant(s): NAAS ET AL.

Marc S. Kaufman, Reg. No. 35,212
For Appellant

EXAMINER'S ANSWER

This is in response to the appeal brief filed March 17, 2010 appealing from the Office

action mailed October 23, 2009.

(1) Real Party in Interest

The examiner has no comment on the statement, or lack of statement, identifying

by name the real party in interest in the brief.

(2) Related Appeals and Interferences

The examiner is not aware of any related appeals, interferences, or judicial

proceedings which will directly affect or be directly affected by or have a bearing on the

Board's decision in the pending appeal.

(3) Status of Claims

The following is a list of claims that are rejected and pending in the application:

Claims 1, 3-6, 8-11, 13-17, 19-22, 24-27 and 29-32 are rejected.

(4) Status of Amendments After Final

The examiner has no comment on the appellant's statement of the status of

amendments after final rejection contained in the brief.

(5) Summary of Claimed Subject Matter

The examiner has no comment on the summary of claimed subject matter

contained in the brief.

(6) Grounds of Rejection to be Reviewed on Appeal

The examiner has no comment on the appellant's statement of the grounds of

rejection to be reviewed on appeal. Every ground of rejection set forth in the Office

action from which the appeal is taken (as modified by any advisory actions) is being

maintained by the examiner except for the grounds of rejection (if any) listed under the

subheading "WITHDRAWN REJECTIONS." New grounds of rejection (if any) are

provided under the subheading "NEW GROUNDS OF REJECTION."

WITHDRAWN REJECTIONS

The following grounds of rejection are not presented for review on appeal

because they have been withdrawn by the examiner. Rejection of claims 17, 19-22, 24-

27 and 29-31 under 35 U.S.C. § 101 has been withdrawn.

(7) Claims Appendix

The examiner has no comment on the copy of the appealed claims contained in

the Appendix to the appellant's brief.

(8) Evidence Relied Upon

The Benchmark in Electronic Repo Trading (Ref U)

About Eurex, Corporate Profile (Ref V)

Eurex Launches Swiss Equity-Repo Trading (Ref W)

Eurex Clearing AG, Extension of Services (Ref X)

Eurex Handbook, Life of a Repo Trade (Ref. Y)

Tri-Prty Repo Back in the Spotlight (Ref. BB)

(9) Grounds of Rejection

The following ground(s) of rejection are applicable to the appealed claims:

Claim Rejections - 35 USC § 103

1.   The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all

obviousness rejections set forth in this Office action:

(a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negatived by the manner in which the invention was made.

2.   Claims 1, 3-6, 8-11, 13-17, 19-22, 24-27 and 29-32 rejected under 35 U.S.C.

103(a) as being unpatentable over Eurex, as evidenced by "The Benchmark in

Electronic Repo Trading" (see PTO-892, Ref. U), "About Eurex, Corporate Profile" (see

PTO-892, Ref. V), "Eurex Launches Swiss Equity-Repo Trading" (see PTO-892, Ref.

W), "Eurex Clearing AG, Extension of Services" (see PTO-892, Ref. X), and "Eurex

Handbook, Life of a Repo Trade" (see PTO-892, Ref. Y) in view of Tri-Party Repo Back

in the Spotlight by Brian Bollen (see PTO-892, Ref. BB). Hereinafter Bollen.

3.   As per claim 1, Eurex teaches a repo basket transaction system comprising:

        a trading system connected to receive repo quotes from market participants, the

repo quotes specifying a repo basket transaction and including a security basket

definition indicating a security amount and at least one class of securities (see PTO-

892, References U and W);

        a clearing system connected to said trading system and wherein said clearing

system is configured to generate settlement instructions relating to repo basket

transactions that correspond to the security basket definition, the settlement instructions

being based on a negotiation of a repo transaction resulting from the repo quotes (see

PTO-892, References U and X);

        a settlement system connected to said clearing system to receive settlement

instructions relating to repo basket transactions (see PTO-892, References U and X);

wherein said settlement system comprises a securities pooling and allocation unit adapted to allocate at least one specific security that meets the security basket definition, said settlement system also completing the repo transaction by posting the allocated specific security on sub-ledger securing and cash accounts (see PTO-892, Reference Y, pages 12-17).

Eurex does not explicitly teach defining a synthetic security, said security basket definition not indicating specific securities.

Bollen teaches defining a synthetic security, said security basket definition not indicating specific securities (see PTO-892, Ref. BB, page 3).

Therefore, it would be prima facie obvious to a person of ordinary skill in the art at the time of the invention to combine the teachings of Eurex and Bollen to define a synthetic security that does not indicate specific securities because it allows one to "move a large bulk of collateral around without huge-in house infrastructure costs" as taught by Bollen (see PTO-892, Ref. BB, page 3).

4.   As per claim 3, Eurex and Bollen teach the system of claim 1 as described above. Eurex further teaches wherein said securities pooling and allocation unit is further allocates said at least one specific security based on predefined rules (see PTO-892, Reference U, page 2 and Reference W).

5.   As per claim 4, Eurex teaches the system of claim 3 as described above. Eurex further teaches wherein said predefined rules are standardized general settlement rules or market participant specific rules (see PTO-892, Reference U, page 2 and Reference X, pages 6-7).

6.   As per claim 5, Eurex teaches the system of claim 3 as described above. Eurex

further teaches wherein said settlement system further comprises a storage for storing

data indicating said at least one specific security in association with data indicating said

at least one class of securities, and said securities pooling and allocation unit further

accesses said storage when allocating said at least one specific security based on said

predefined rules (see PTO-892, Reference V). Eurex is a fully electronic exchange

operating over a wide-area communications network (WAN). It is <u>inherent</u> in a fully

electronic system like Eurex that a computer/computers which consist of processors

and memories would be used to operate the system.

7.   As per claim 6, Eurex teaches the system of claim 5 as described above. Eurex

further teaches wherein said storage is arranged for storing said data in market

participant specific memory regions, and said association is a market participant specific

association (see PTO-892, Reference V). Eurex is a fully electronic exchange operating

over a wide-area communications network (WAN). It is <u>inherent</u> in a fully electronic

system like Eurex that a computer/computers which consist of processors and

memories would be used to operate the system.

8.   As per claim 8, Eurex and Bollen teach the system of claim 1 as described

above. Eurex further teaches wherein said clearing system is arranged for performing a

trade margin calculation process based on a risk calculation based on said security

basket definition (see PTO-892, Reference X, pages 7-8).

9.   As per claim 9, Eurex teaches the system of claim 8 as described above. Eurex

further teaches wherein said risk calculation process further accesses an individual

average risk profile for each class of securities (see PTO-892, Reference X, pages 7-8).

10.   As per claim 10, Eurex teaches the system of claim 8 as described above. Eurex

further teaches wherein said clearing system is further arranged for sending repo

confirmation messages to the trading system prior to said calculation (see PTO-892,

Reference X, pages 7-8).

11.   As per claim 11, Eurex and Bollen teach the system of claim 1 as described

above. Eurex further teaches wherein said clearing system is arranged for determining

whether the security basket amount exceeds a predefined threshold, and if so,

generating plural settlement instructions each causing said settlement system to

allocate amounts not exceeding said threshold (see PTO-892, Reference X, pages 7-8).

12.   As per claim 13, Eurex and Bollen teach the system of claim 1 as described

above. Eurex further teaches wherein said settlement system further creates a sub-

ledger independent from general ledger accounts of the market participants and posts

the at least one allocated specific security in said sub-ledger (see PTO-892, Reference

Y, pages 12-17).

13.   As per claim 14, Eurex teaches the system of claim 13 as described above.

Eurex further teaches comprising an earmarking unit for marking the at least one

allocated specific security to be posted in said sub-ledger but not in said general ledger

accounts (see PTO-892, Reference Y, pages 12-17).

14.   As per claim 15, Eurex teaches the system of claim 14 as described above.

Eurex further teaches wherein said earmarking unit first marks the at least one allocated

specific security to be transferred from a first market participant's account to an account

of a central counterpart, and then mark the at least one allocated specific security to be

transferred from said account of a central counterpart to a second market participant's

account (see PTO-892, Reference Y, pages 12-22).

15.   As per claim 16, Eurex teaches a settlement system capable of being operated in

a repo basket transaction system, connected to receive settlement instructions relating

to repo basket transactions and to receive a security basket definition indicating at least

one class of securities, comprising:

        a securities pooling and allocation unit which, in response to settlement

instructions, allocates at least one specific security that meets the security basket

definition (see PTO-892, Ref. Y, pages 12-17, Ref. X, pages 3-4 and Ref. U).

         Eurex does not explicitly teach defining a synthetic security, said security basket

definition not indicating specific securities.

        Bollen teaches defining a synthetic security, said security basket definition not

indicating specific securities (see PTO-892, Ref. BB, page 3).

        Therefore, it would be prima facie obvious to a person of ordinary skill in the art

at the time of the invention to combine the teachings of Eurex and Bollen to define a

synthetic security that does not indicate specific securities because it allows one to

"move a large bulk of collateral around without huge-in house infrastructure costs" as

taught by Bollen (see PTO-892, Ref. BB, page 3).

16.   Claim 17 recites similar limitations to claim 1 and thus rejected using the same art and rationale in the rejection of claim 1 as set forth above.

17.   Claim 19 recites similar limitations to claim 3 and thus rejected using the same art and rationale in the rejection of claim 3 as set forth above.

18.   Claim 20 recites similar limitations to claim 4 and thus rejected using the same art and rationale in the rejection of claim 4 as set forth above.

19.   Claim 21 recites similar limitations to claim 5 and thus rejected using the same art and rationale in the rejection of claim 5 as set forth above.

20.   Claim 22 recites similar limitations to claim 6 and thus rejected using the same art and rationale in the rejection of claim 6 as set forth above.

21.   Claim 24 recites similar limitations to claim 8 and thus rejected using the same art and rationale in the rejection of claim 8 as set forth above.

22.   Claim 25 recites similar limitations to claim 9 and thus rejected using the same art and rationale in the rejection of claim 9 as set forth above.

23.   Claim 26 recites similar limitations to claim 10 and thus rejected using the same art and rationale in the rejection of claim 10 as set forth above.

24.   Claim 27 recites similar limitations to claim 11 and thus rejected using the same art and rationale in the rejection of claim 11 as set forth above.

25.   Claim 29 recites similar limitations to claim 13 and thus rejected using the same art and rationale in the rejection of claim 13 as set forth above.

26.   Claim 30 recites similar limitations to claim 14 and thus rejected using the same art and rationale in the rejection of claim 14 as set forth above.

27.   Claim 31 recites similar limitations to claim 15 and thus rejected using the same art and rationale in the rejection of claim 15 as set forth above.

28.   Claim 32 recites similar limitations to claims 1 and 17 and thus rejected using the same art and rationale in the rejection of claims 1 and 17 as set forth above.

(10) Response to Argument

29.   Appellant argues on page 9 in section 3 that Eurex fails to disclose a "a clearing system connected to said trading system and wherein said clearing system is configured to generate settlement instructions relating to repo basket transactions that correspond to the security basket definition" and "a settlement system connected to said clearing system to receive settlement instructions relating to repo basket transactions, wherein said settlement system comprises a securities pooling and allocation unit adapted to allocate at least one specific security that meets the security basket definition" Examiner disagrees. As stated in previous Office Actions, Eurex does not explicitly teach "defining a synthetic security, said security basket definition not indicating specific securities." **Eurex teaches** "a clearing system connected to said trading system and wherein said clearing system is configured to generate settlement instructions relating to repo basket transactions that correspond to the security basket definition, the settlement instructions being based on a negotiation of a repo transaction resulting from the repo quotes (see Reference U, <u>Direct and Rapid Participation</u> and Reference X, <u>2.1 Central Counterparty</u>, <u>3.2.1 Interfaces to Trading Systems</u> and <u>4</u> <u>Settlement</u>)." Next, **Eurex teaches** "a settlement system connected to said clearing

system to receive settlement instructions relating to repo basket transactions (see

Reference U, <u>Direct and Rapid Participation</u> and Reference X, <u>2.1 Central Counterparty</u>,

<u>3.2.1 Interfaces to Trading Systems</u> and <u>4 Settlement</u>) wherein said settlement system

comprises a securities pooling and allocation unit adapted to allocate at least one

specific security that meets the security basket definition, said settlement system also

completing the repo transaction by posting the allocated specific security on sub-ledger

securing and cash accounts (see Reference Y, pages 12-17, and <u>section 5.1.2.</u>, item 6

specific security)," as recited in previous Office Actions. The structure of Appellant's

invention is disclosed by Eurex (see Refs. U, V, X and Y). Examiner uses **<u>Bollen to</u>**

<u>teach</u> the specific limitation of <u>defining a synthetic security, said security basket</u>

<u>definition not indicating specific securities</u>.   Appellant defines on page 11 of original

disclosure that a "<u>synthetic security is developed to define a generic (collateral) basket.</u>

<u>The synthetic security represents a defined security quality or class of securities.</u>"

Bollen teaches on page 3:

"Tri-party provides the backbone to a good deal of collateral management activity," says James Tomkinson, director of repo products at Nomura in London. "It sits in the middle of the treasury function, whether you're looking to give or receive cash. There are a lot of advantages to it, one of the biggest of which is that you don't have to create your own collateral management system, which is difficult and expensive to do. Tri-party repo enables you to move a large bulk of collateral around without huge in-house infrastructure costs. <u>You don't even have to issue specific instructions; thanks to their auto-select capabilities, Euroclear and Clearstream will select the securities to collateralize any borrowing, using smaller pieces of spare collateral that would otherwise lie unused</u>. That's a clear and obvious advantage to us, although it does in turn create one inefficiency in that we don't know which securities are being used. We don't find out until the next day what our positions are. That is something of an ordeal. It is very difficult to allocate costs when you find out only retrospectively what collateral is being allocated to whom.".

One skilled in the art would know that when various securities are selected without

indicating specific securities to collateralize borrowing (this is referred to as the security

basket definition), one in essence has created a <u>synthetic security</u> as defined by

Appellant. Bollen does not use the term <u>synthetic security</u>, but according to Appellant's

definition, Bollen has created a <u>synthetic security</u> by selecting various securities for

collateralization without indicating specific securities.

Examiner notes that a clearing system and trading system are disclosed in Eurex (see

PTO-892, Refs. U, V, X and Y).

In response to Appellant's argument that the examiner's conclusion of

obviousness is based upon improper hindsight reasoning, it must be recognized that

any judgment on obviousness is in a sense necessarily a reconstruction based upon

hindsight reasoning. But so long as it takes into account only knowledge which was

within the level of ordinary skill at the time the claimed invention was made, and does

not include knowledge gleaned only from the Appellant's disclosure, such a

reconstruction is proper. See *In re McLaughlin*, 443 F.2d 1392, 170 USPQ 209 (CCPA

1971).

30.   Appellant makes the same or similar arguments for claim 16 in section 4 on page

12 as for claim 1 on pages 9-12, section 3 (see above paragraph 29 for response).

31.   Appellant makes the same or similar arguments for claim 17 in section 5 on page

13 as for claim 1 on pages 9-12, section 3 (see above paragraph 29 for response).

32.   Appellant makes the same or similar arguments for claim 32 in section 6 on

pages 13-14 as for claim 1 on pages 9-12, section 3 (see above paragraph 29 for

response).

33.   Regarding section 7 on pages 14-18, Appellant argues that Eurex and Bollen

both alone or in combination fail to disclose or teach or render obvious dependant

claims 3-6, 8-11, 13-15, 19-22, 24-27 and 29-31. Appellant does not argue with any

specificity as to why Eurex and Bollen both alone or in combination fail to disclose or

teach or render obvious. Therefore, Appellant's arguments fail to comply with 37

CFR 1.111(b) because they amount to a general allegation that the claims define a

patentable invention without specifically pointing out how the language of the claims

patentably distinguishes them from the references.

(11) Related Proceeding(s) Appendix

No decision rendered by a court or the Board is identified by the examiner in the

Related Appeals and Interferences section of this examiner's answer.

For the above reasons, it is believed that the rejections should be sustained.

Respectfully submitted,

/Shahid R Merchant/

Examiner, Art Unit 3694

Conferees:

/James P Trammell/

Supervisory Patent Examiner, Art Unit 3694

/Alexander Kalinowski/

Supervisory Patent Examiner, Art Unit 3691